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REVENUE
PROPERTIES
COMPANY
LIMITED

2001 Annual Report



FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts)

	2001	2000	1999	1998	1997
AS REPORTED					
Total assets	\$ 318,098	\$ 526,782	\$ 1,380,349	\$ 1,336,185	\$ 931,785
Long-term debt, including					
convertible debentures	167,367	334,363	840,707	756,225	517,698
Shareholders' equity	84,079	158,706	158,919	180,710	145,614
Income (loss) from continuing operations					
before income taxes	48,160	15,694	5,626	3,009	(20,204)
Per common share	0.62	0.18	0.01	0.01	(0.34)
Funds from continuing operations	10,033	25,372	24,186	19,258	12,733
Per common share	0.16	0.39	0.35	0.27	0.19
PRO FORMA, based on equity method ⁽¹⁾					
Rental properties	144,356	132,671	133,258	137,818	139,484
Investment in PNP	—	334,636	308,382	331,952	245,161
Long-term debt, including					
convertible debentures	167,367	334,363	324,530	335,470	273,588
Funds from continuing operations	10,033	10,219	13,485	11,566	2,344
Per common share	0.16	0.16	0.19	0.16	0.04

⁽¹⁾ The pro forma numbers are provided to isolate PNP numbers in order to provide a more meaningful comparison of the Company's assets, liabilities, and funds from continuing operations.

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Our 2001 objectives, established early in the year, were:

CONCENTRATING ON
CANADIAN REAL ESTATE OPERATIONS



REDUCING OUR OWNERSHIP POSITION IN
PAN PACIFIC RETAIL PROPERTIES, INC.



SELLING OUR NEVADA GAMING INTERESTS.

We have met these objectives.

In a number of transactions with various institutional and other buyers in the United States, we completed the divestiture of the Company's interest in Pan Pacific Retail Properties, Inc.

At the end of 2001, the Company's Nevada subsidiary and its local partners entered into a definitive agreement to sell substantially all of the assets of P.T. Gaming LLC to a private Nevada corporation. The Company anticipates that this transaction will close in the first half of 2002. The one location not being sold in this transaction will continue to be actively marketed for sale.

The Company acquired the 50% interest in Prairie Mall in Grande Prairie, Alberta not already owned. This acquisition, which involved approximately \$10 million of equity and the assumption of approximately \$12.5 million of existing mortgage debt, was accretive to both cash flow per share and share value.

In addition to the \$200 million reduction of debt, including the 7.5% convertible debentures in January 2002, a portion of the cash generated from the Pan Pacific share sales was paid as a special dividend in the amount of \$1.50 per common share.

In 2001, the operating results of the Company's Canadian assets continued to improve as a result of leasing initiatives and lower interest costs.

Funds from continuing operations were \$0.16 per share, comparable to the previous year's results.

Our Canadian rental income on a same property basis was up by \$1,275,000 or 6% over the prior year. The Company's residential properties continued to show revenue growth, both per unit and in total, although by the end of the year vacancies had crept up to approximately 3%. The Company does not anticipate any further deterioration in the vacancy level; indeed, we expect vacancy levels to improve during 2002.

We continue to monetize our investment in Guelph, Ontario through lot sales. An additional residential phase in the Eastview subdivision was serviced in 2001 and lot sales to builders as well as the issuance of building permits continue to evidence a strong demand for the product offered.

At the time the Board of Directors declared the special dividend, it indicated that commencing in 2002 dividends would be considered and payable quarterly, with the first quarterly dividend in 2002 set at 2 cents per share.

Subsequent to year-end, we redeemed in full the 7.5% Convertible Subordinated Debentures for \$45 million and filed a substantial issuer bid for the 6% Convertible Subordinated Debentures. We also refinanced East York Town Centre with a \$20 million fixed rate mortgage with a five year term.

As part of our ongoing efforts to rationalize the Company's asset base, in March we listed The Oaks residential property for sale.

The Company intends to continue its focus on its core real estate business, improving real estate operations and paying down debt. The Company also will investigate new real estate opportunities that are likely to increase cash flow and enhance shareholder value.

The Company's strong Canadian asset base and solid operating results, coupled with all of its hard-working employees, should result in a satisfactory year in 2002.



WILLIAM I. KENNEDY
President

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenue Properties Company Limited (the "Company" or "RPC") adopted a business strategy in 2001 that included the sale of its investments in Pan Pacific Retail Properties, Inc. ("PNP") and in gaming, the proceeds of which would be used to reduce debt.

During 2001, the Company sold all of its shares of PNP. A contract to sell the core business of P.T. Gaming LLC ("PT's") was signed at year-end with all but one condition fulfilled by the end of February. Closing is expected in the second quarter but is contingent on certain conditions, including the necessary approvals from the relevant gaming authorities. PT's will continue to operate its small casino as it continues to search for a purchaser.

The PNP share sales generated \$382 million which was used to repay \$65 million of mortgages that carried a 9.54% interest rate, \$118 million of bank indebtedness, and in January 2002, \$45 million of 7.5% debentures that were due in 2003. In addition, the Company paid a special dividend of \$96 million, and \$10 million to acquire the 50% of Prairie Mall in Grande Prairie, Alberta that it did not own.

MARKET FACTORS

A contraction of the economy in 2001 had been anticipated, but the depth and length, caused in some part by the unimaginable events of September 11, was unexpected. The economic environment in Canada is likely to remain challenging in 2002, lagging the anticipated rebound in the United States. As a result, the threat of rising interest rates appears to be modest. Real estate industry growth in 2002 is expected to be moderate, so it will be difficult for the industry to repeat the strong performance recorded in 2001, when the Toronto Stock Exchange (TSE) Real Estate Index outperformed the TSE 300 return.

RESULTS OF OPERATIONS

(000s)	2001	2000
Gross revenues	\$ 62,384	\$ 63,437
Gross profit	23,102	21,378
Operating loss	(5,474)	(19,037)
Earnings of PNP	13,953	30,946
Income from continuing operations before unusual items	8,479	11,909
Unusual items	39,681	3,751
Income taxes	(5,628)	(656)
Income from continuing operations	42,532	15,004
Dividend received from PNP	11,870	24,714
Funds from continuing operations		
- as reported	10,033	25,372
- pro forma ⁽¹⁾	—	10,219

⁽¹⁾ Pro forma 2000 gives effect to including only PNP dividends in FFO.

SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

	4 th Qr	3 rd Qr	2 nd Qr	2001		3 rd Qr	2 nd Qr	2000
				1 st Qr	4 th Qr			1 st Qr
Gross revenues	\$17,518	\$14,891	\$15,151	\$14,824	\$14,537	\$20,686	\$14,407	\$13,807
Income from								
continuing operations	8,282	833	31,717	1,700	6,657	3,130	2,862	2,356
Per basic share	0.12	0.00	0.49	0.01	0.09	0.03	0.03	0.02
Per diluted share	0.06	0.00	0.30	0.01	0.07	0.03	0.03	0.02
Net income	8,315	962	32,381	2,018	660	2,464	2,430	1,957
Per basic share	0.12	0.00	0.50	0.02	0.00	0.03	0.02	0.02
Per diluted share	0.06	0.00	0.31	0.02	0.00	0.03	0.02	0.02

Note: Unaudited, in thousands of Canadian dollars, except per share amounts.

Income from continuing operations for 2001 was \$43 million (\$15 million in 2000) as a result of a number of unusual events, primarily the gain arising on the sales of the PNP shares.

Rental revenues increased 6% to \$60 million due to the purchase in September of the 50% of Prairie Mall not previously owned and to a 7% increase in residential rental income. Revenue from lot sales totalled \$1.9 million as compared to \$6.4 million due to the smaller size of the current phase and the timing of completion, with only a third of the lot sales closed prior to year-end. The balance of lots closed in January 2002.

Interest expense declined by \$10 million as a result of the debt reduction. In addition, the Company earned \$2.6 million of interest income on cash balances. General and administrative expenses decreased by \$1.4 million from the previous year, of which \$1.1 million represented a provision for employee severance and retirement benefits recorded in 2000. The balance resulted from a reduction in salary expense.

The earnings from PNP declined as a result of the sales of PNP shares during the year.

Unusual items included the PNP share sales, which generated a profit of \$34 million, and resulted in the recognition of \$18 million of the foreign currency translation balance as income. These gains were reduced by a non-cash provision of \$9.5 million for the diminution in value of certain property assets identified for sale and a penalty of \$3 million incurred on the early redemption of the 9.54% mortgage bonds.

The primary indicator of performance for management continues to be funds from continuing operations ("FFO"). The reduction of the Company's interest in PNP required that the Company apply three different accounting principles over 2000 and 2001, making meaningful comparisons difficult. To establish a basis for future comparison, the Company has provided as supplemental information, its FFO for the year 2000 on a pro forma basis, including dividends received from PNP but excluding the non-cash equity recorded as a result of consolidating PNP's results in prior years.

On comparable pro forma basis, FFO for 2001 was \$10.0 million and \$10.2 million in 2000. Basic FFO per share for the year was 16 cents, compared to a pro forma 16 cents in 2000, reflecting a lower number of shares outstanding in 2001. The statements prepared in accordance with generally accepted accounting principles showed a decline in FFO to \$10 million from \$25 million (39 cents per share) reported in 2000, reflecting the changes in the Company's PNP ownership position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The 2001 PNP share sales resulted in lower dividend income, which was offset in part by lower interest costs. The interest savings were limited since funds were invested on a short-term basis in low yielding investments pending the payment of the special dividend in October 2001 and the redemption of the 7.5% debentures in January 2002.

For the three months ended December 31, 2001, FFO was \$105,000 (0.2 cents per share), compared to \$3.9 million reported for the comparable period in 2000. The 2000 pro forma shortfall was \$1.5 million (2 cents per share). The Company stopped consolidating the results of PNP in the fourth quarter 2000 and adopted the equity method. As a result, the reported FFO included a contribution from PNP in excess of the dividend received. The increase from last year's pro forma results also reflects the timing of the debt reduction and the cost of responding to the takeover bid.

The computation of funds from continuing operations may differ from the methodology used by other real estate companies and, therefore, may not be comparable to such other real estate companies. FFO is not indicative of funds available to fund the Company's cash requirements.

RENTAL OPERATIONS

(000s)	Retail	Res.	2001 Total	Retail	Res.	2000 Total
Gross rental income	\$ 35,410	\$ 23,828	\$ 59,238	\$ 34,346	\$ 22,246	\$ 56,592
Property operating expenses	18,822	18,330	37,152	17,457	18,324	35,781
Same property comparison	16,588	5,498	22,086	16,889	3,922	20,811
Acquired/sold properties			840			252
Total			\$ 22,926			\$ 21,063
Gross profit %	47%	23%		49%	18%	
Re-leasing costs incurred	\$ 1,733			\$ 1,559		

The retail property operating expenses for 2001 include a \$0.7 million adjustment to realty taxes in prior years. The residential contribution increased as a result of higher rents and a reduction of in-suite repairs, partially offset by higher utility costs.

LOT SALES

In accordance with the Company's objective to monetize its investment in land, 56 lot sales were closed in December 2001 and 109 lots, being the balance of the phase, closed in early January 2002. Planning for the next phase is in process, although no additional lot sales are anticipated in 2002. A sale of a commercial site may be possible.

INTEREST EXPENSE

(000s)	2001	2000	Pro forma 2000 ⁽¹⁾
Total interest	\$ 19,744	\$ 29,274	\$ 29,274
Plus: amortization of debt discount	1,022	(165)	(165)
Plus interest capitalized	195	500	500
Less: interest income on cash	2,610	—	—
Net cash interest	\$ 18,351	\$ 29,609	\$ 29,609
FFO before interest	\$ 28,384	\$ 41,992	\$ 39,828
Interest coverage	1.55	1.42	1.35

⁽¹⁾ Pro forma 2000 gives effect to including only PNP dividends in FFO.

Total cash interest declined in 2001 by 38% from the level incurred in 2000 as a result of retiring debt with the proceeds from the PNP share sales. The effect of the interest savings was an improvement in interest coverage to 1.55 times from 1.35 based on pro forma 2000 FFO and 1.42 as reported in 2000. Management expects that the interest coverage ratio will improve in 2002.

INCOME TAXES

The Company adopted the new accounting standard for income taxes in 2000. The standard requires the measurement of future income tax assets and liabilities using the appropriate tax rates that are expected to apply when the temporary differences reverse.

GAMING – DISCONTINUED OPERATIONS

(000s)	2001	2000
Revenues		
Gaming	\$ 13,361	\$ 10,458
Beverage	10,283	8,666
Food and other	4,169	2,596
	27,813	21,720
Expenses		
P.T.'s	24,341	18,947
RPC's	368	976
	24,709	19,923
Gross profit	3,104	1,797
Less: interest	234	1,375
depreciation & amortization	1,332	2,521
provision for loss on disposal	394	5,394
	\$ 1,960	\$ 9,290
Gain (loss) from discontinued gaming operations	\$ 1,144	\$ (7,493)

Revenues and gross profit increased during 2001, as two units were opened and performance of the casino improved during its first full year of operations. As a result of an offer to purchase the sports bar

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

business in December and the expected price for the casino, management has recorded a provision of \$0.4 million in 2001 to reduce the book value of its investment to the estimated net realizable value. The combined provision recorded in 2001 and 2000 totals \$5.8 million.

CHANGES IN FINANCIAL CONDITION

NORMAL COURSE ISSUER BID

The Company maintains Normal Course Issuer Bids in accordance with the rules of the Toronto Stock Exchange for the purchase of its shares and debentures from time to time. During 2001, 2,566,200 shares were purchased at an average cost of \$2.47 per share. In addition, debentures with a face value of \$643,000 were purchased for \$598,000. The Bids for debentures expire March 6, 2002, while the Bid for shares expires July 28, 2002. Management expects the Bids to be renewed in 2002.

CASH ON HAND

At December 31, 2001, the Company's cash equivalents totalled \$126 million, most held in a subsidiary in US dollars. Prior to the year-end, the Company entered into three forward foreign exchange contracts totalling US\$30 million to swap into Canadian funds in January 2002, at an average rate of \$1.5784. In January 2002, an additional US\$32 million was converted to Canadian dollars at a rate of \$1.5909, generating an average conversion rate of \$1.5849. Of the Canadian dollar proceeds, \$45 million was applied to redeem the 7.5% debentures and \$45 million was used to retire a bridge loan. After the January payments and the receipt of mortgage proceeds on East York Town Centre, the Company has \$50 million on hand.

ASSETS

The Company's principal business is the ownership and management of three shopping centres, one mixed-use and two residential properties. The Company's key accounting policy is asset valuation with its principal properties recorded at the lower of cost and net recoverable amounts. Properties held for sale and land are carried at the lower of cost and net realizable value. In determining net recoverable and net realizable amounts, the Company makes estimates and assumptions on the future revenue streams and valuations. Properties held for sale and land under development have been marked to management's estimate of market value less selling costs.

Such valuations could change by a material amount if any of the underlying assumptions should change. Since most properties have been owned for over 25 years, management believes that book value, which reflects historical costs less accumulated depreciation, is substantially below the aggregate value of the properties.

ASSETS OF DISCONTINUED GAMING OPERATIONS

The Company and its partner have accepted an offer to purchase the sports bar business of P.T. Gaming LLC, subject to approval of the relevant gaming authorities. The sale of the sports bars should generate \$13 million on closing, with a further \$1 million in five years, based on the current exchange rate. Efforts to sell the casino are ongoing.

LIABILITIES

(000s)		Pro forma		
		2001 ⁽¹⁾	2001	2000
Mortgages on rental properties		\$ 66,255	\$ 46,255	\$ 101,442
Loan payable on land under development		893	893	3,314
Loan payable on investment in PNP and on discontinued gaming operations		2,009	2,009	111,038
Bank indebtedness		—	50,833	9,862
Long-term debt and bank indebtedness	A	69,157	99,990	225,656
Convertible debentures (including equity component)		134,824	179,785	181,083
Total debt	B	203,981	279,775	406,739
Excess of market value over book value		110,000	110,000	154,000
Shareholders' equity		12,009	12,935	88,047
Equity at market value	C	122,009	122,935	242,047
Convertible debentures (including equity component)		134,824	179,785	181,083
Market equity after conversion	D	\$ 256,833	\$ 302,720	\$ 423,130
If convertible debentures are debt	B/C	1.67:1	2.28:1	1.68:1
If convertible debentures are equity	A/D	0.27:1	0.33:1	0.53:1

⁽¹⁾ Pro forma 2001 gives effect to the debt reduction in January 2002.

Long-term debt and bank indebtedness decreased by \$126 million during 2001. In addition, in early January 2002, convertible debentures and bank and other indebtedness decreased by \$45 million and \$50 million, respectively. In February 2002, a new mortgage loan secured on East York Town Centre in the amount of \$20 million was advanced. The interest rate is 6.55%, which compares to 9.54% on the previous debt.

There are two mortgages, maturing in 2002 totalling \$6 million, having an average interest rate of 8.1%. Management expects to be able to renew the mortgages and reduce the average interest rate. At its option, the Company has cash and credit lines available to repay the mortgages.

The Company's debt has been measured to its equity using common ratios. For the analysis, management has estimated the excess market value over book value of the rental properties to be approximately \$110 million. Market value was determined by applying an average capitalization rate of 9.7% to the budgeted 2002 rental property income minus an allowance for capital expenses. The overall result was supported by independent valuations on two properties. The ratios declined as a result of the special dividend. For greater clarity, the 2001 pro forma calculations are provided to reflect the January 2002 debt repayments and the proceeds of the new mortgage.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTEREST RATE STRUCTURE

(000s)	Pro forma		
	2001 ⁽¹⁾	2001	2000
Mortgages on rental properties	\$ 66,255	\$ 46,255	\$ 101,442
Term bank loan	2,009	2,009	—
Convertible debentures (including equity component)	134,824	179,785	181,083
Fixed rate debt	203,088	228,049	282,525
Weighted average interest rate	6.8%	6.9%	7.5%
Variable rate debt	893	893	114,352
Weighted average interest rate	5.0%	5.0%	8.4%
Bank indebtedness	—	50,833	9,862
Total debt	\$ 203,981	\$ 279,775	\$ 406,739
Total fixed rate debt	99%	81%	69%
Total variable rate debt	1%	19%	31%

⁽¹⁾ Pro forma 2001 gives effect to the debt reduction in January 2002.

In October 2001, bank indebtedness was increased by \$50 million to pay the special dividend. The loan was repaid in early January 2002 thereby increasing the fixed rate percentage to 99%.

RISK MANAGEMENT

The Company can be expected to face the following risks in the normal course of its operations.

OPERATING RISK

The Company's primary business is the ownership and management of a portfolio of retail and residential properties. The income stream, generated by occupancies and rentals, can be impacted by general economic conditions.

The Company's retail properties generated 76% of the rental income, of which the three principal centres in Toronto generated 74%. During 2001, the properties generated average sales of \$493 per square foot, as compared to \$490 in 2000. Occupancy rates at December 31, 2001 were 97%, as compared to 97% in 2000. Management expects retail sales to improve marginally during 2002.

The Toronto residential properties contributed 24% of the Company's total rental income. The average monthly income per suite was \$957 at December 2001, an increase of 7% for the year. The occupancy rate declined to 97% from 99% a year earlier. Management expects occupancy levels will return to previous levels by the end of the year.

DISCONTINUED GAMING ASSETS

The Company's gaming operations are subject to the licensing and regulatory requirements of the Nevada State Gaming Board and the Nevada Gaming Commission. The Company and its partners have accepted an offer to sell the sports bar business of PT's, excluding the small casino. The transaction is subject to obtaining all third party approvals, including those of the gaming authorities. Management believes that the current sale will close and that the casino will be sold to recover its investment. Actual proceeds may vary from the estimate.

FINANCING RISK

The Company's debt, including convertible debentures at December 31, 2001, was \$280 million, which was reduced to \$204 million by February 28, 2002, compared to \$407 million at December 31, 2000. Of the \$204 million, 99% was fixed rate debt.

Debt maturities over the next three years total \$62 million, including the 6% convertible debentures due March 1, 2004, with \$7 million due in 2002. In addition, the Company has to refinance a 7.25% \$7 million mortgage by April 2002, on a residential property, which it manages on a leasehold interest. Management expects to renew the mortgages and redeem the convertible debentures using currently available cash and cash from the sale of its discontinued gaming investment.

FOREIGN EXCHANGE RISK

Balances as at December 31, 2001

<i>(000s)</i>	Pro forma ⁽¹⁾	December 31
US dollar assets	\$ 29,534	\$ 91,488
US dollar debt	36,745	36,745
US dollar income		23,475
US dollar expense		6,373

⁽¹⁾ Pro forma 2001 gives effect to reduction of US dollar investment in January 2002.

After the repatriation of cash in January, the Company has a pro forma net liability in US dollars of \$6 million. Canadian funds will be converted to meet the obligation, due in 2004. Management does not acquire or issue derivative instruments for trading purposes and believes that it is not an appropriate time to hedge the foreign exchange conversion risk.

US dollar income in 2001 represented the Company's gain on the sale of the PNP shares plus net gaming income and interest income. Expenses represented interest, administrative expenses and income taxes. For 2002, management expects that the gaming investment will be sold by mid-year so that the only significant expense will be the interest expense on the convertible debentures.

At December 31, 2001, the Canadian dollar value was US 62.78 cents compared to US 66.56 cents a year earlier. The average exchange rate for 2001 was US 64.57 cents compared to US 67.35 cents in 2000. A change in the Canadian dollar will not have a material impact on the Company.

ENVIRONMENTAL RISK

The Canadian portfolio is comprised of mature properties, all of which comply with current environmental guidelines. No problems were identified during 2001. A phase 2 study of the gas stations bordering East York Town Centre was completed in January 2002 as a condition of refinancing the property.

As a landlord, the Company is subject to an environmental risk as a result of the possible use of foreign substances by retail tenants who handle, store and generate small quantities of hazardous waste. The Company attempts to mitigate this risk through the terms of its leases and by periodic inspections by both management and technical consultants.

While the Company believes that it complies with current standards, there can be no assurance that laws or regulations will not be changed in the future or that its properties will not be affected by

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

tenants or by adjacent landowners. Governmental authorities have not notified the Company nor is the Company aware of any material non-compliance relating to hazardous or toxic substances in connection with any of its properties.

ACCOUNTING CHANGES

In December 2001, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. Section 3870 establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments.

The Company believes that the adoption of this standard will not have a material impact on the Company's financial condition or results of operations.

OUTLOOK

Management expects the sale of its gaming interests to be completed during the year. Debt levels have been reduced, and the Company has capacity to increase its secured borrowings to supplement its cash position. Management will investigate potential retail acquisitions that would be accretive to earnings and net asset value and will continue its efforts to sell the properties held for sale. One such small property was sold in March for net book value.

Fundamentals are expected to be positive for the real estate industry. In this context, including a full year impact from the acquisition of 50% of Prairie Mall, management anticipates increased net rental income and lower interest and administrative costs. As a result, earnings and cash flow should increase.

Two events in 2002, the reduction of the Company's net investment in its foreign operations and the redemption of the 7.5% convertible debentures, will result in a non-cash net gain of approximately \$9 million that will be recorded in the first quarter.

NOTE:

Certain matters discussed are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from the Company's expectations include market valuations of its shares, financial performance and operations of its shopping centres and residential properties, real estate conditions, successful completion of renovations, changes in the availability of acquisitions, execution of competing programs, changes in economic conditions, changes in gaming regulation and taxes, and other risks detailed from time to time in reports filed with the Securities and Exchange Commission, including the Annual Report on Form 20F.

[MANAGEMENT'S REPORT TO SHAREHOLDERS]

The consolidated financial statements of Revenue Properties Company Limited have been prepared by management in accordance with generally accepted accounting principles appropriate for the real estate industry. Management is responsible for the information contained in these financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and proper standards of conduct.

The Audit Committee of the Board of Directors of the Company, consisting solely of outside directors, has reviewed the consolidated financial statements, the report to shareholders and the management's discussion and analysis with management and the external auditors, KPMG LLP, and has recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

KPMG LLP, appointed by the shareholders, have conducted an independent examination in accordance with generally accepted auditing standards, and have had full access to the Audit Committee, with and without management being present.


William I. Kennedy
President


Richard E. Fletcher
Vice-President, Finance and Chief Financial Officer

[AUDITORS' REPORT]

THE SHAREHOLDERS, REVENUE PROPERTIES COMPANY LIMITED

We have audited the consolidated balance sheets of Revenue Properties Company Limited as at December 31, 2001 and 2000 and the consolidated statements of income, deficit, funds from continuing operations and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants
Toronto, Canada
February 22, 2002

[CONSOLIDATED BALANCE SHEETS]

As at December 31

(in thousands of Canadian dollars)

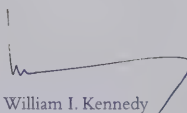
	Note	2001	2000
ASSETS			
Rental properties	2	\$ 144,356	\$ 132,671
Properties held for development and sale	3	15,130	13,800
Cash and cash equivalents		126,444	3,805
Mortgages and advances receivable	4	8,728	11,756
Other assets	5	2,911	11,629
Future income tax asset	14	1,184	—
Discontinued operations	6	19,345	18,485
Investment in shares of PNP	7	—	334,636
		<u>\$ 318,098</u>	<u>\$ 526,782</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Long-term debt	8	\$ 49,157	\$ 215,794
Convertible debentures	9	118,210	118,569
Bank and other indebtedness	10	50,833	9,862
Accounts payable and deposits		15,819	20,877
Future income tax liability	14	—	2,974
		<u>234,019</u>	<u>368,076</u>
Commitments, contingencies and subsequent events	13, 15, 18		
Shareholders' equity	12	84,079	158,706
		<u>\$ 318,098</u>	<u>\$ 526,782</u>

The accompanying notes form an integral part of these financial statements.



David A. King

Director



William I. Kennedy

Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

(in thousands of Canadian dollars, except per share amounts)

Note

2001

2000

RENTAL OPERATIONS

Revenue		\$ 60,519	\$ 57,038
Property operating expenses		37,593	35,975
		<u>22,926</u>	<u>21,063</u>

REAL ESTATE SALES

Sales		1,865	6,399
Cost of sales		1,689	6,084
		<u>176</u>	<u>315</u>

Other operating expenses:

Interest		19,744	29,274
General and administrative		5,044	6,429
Interest and other income		(1,879)	(251)
Depreciation and amortization		5,667	4,963
		<u>28,576</u>	<u>40,415</u>

OPERATING LOSS

(5,474) (19,037)

Earnings of PNP

Revenue		—	147,926
Operating and other expenses	7	—	(89,879)
Minority interest		—	(30,219)
Equity in earnings		12,018	3,118
Dividend income		1,935	—
		<u>13,953</u>	<u>30,946</u>

Gain on sale of shares of PNP

33,863 —

Reduction of foreign currency translation account

18,487 —

Diminution in value of real estate assets

(9,530) —

Penalty on early debt repayment

(3,139) —

Gain from reduction of interest in PNP

— 5,638

Cost of responding to takeover bid

— (1,887)

INCOME FROM CONTINUING OPERATIONS**BEFORE INCOME TAXES**

48,160 15,660

Income taxes

Current	14	3,728	312
Future		1,900	344
		<u>5,628</u>	<u>656</u>

INCOME FROM CONTINUING OPERATIONS

42,532 15,004

Income (loss) from discontinued operations

6 1,144 (7,493)

NET INCOME

\$ 43,676 \$ 7,511

Income per common share from continuing operations – Basic

\$ 0.62 \$ 0.18

– Diluted

\$ 0.30 \$ 0.15

Income per common share – Basic

\$ 0.64 \$ 0.07

– Diluted

\$ 0.31 \$ 0.07

Weighted average number of shares (in thousands)

Basic 63,382 65,235

Diluted 151,831 90,568

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31

(in thousands of Canadian dollars)

	2001	2000
Deficit at beginning of year	\$ 112,071	\$ 108,820
Net income	(43,676)	(7,511)
Dividends	7,564	7,783
Special dividend	95,769	—
Settlement of convertible debentures	3,253	2,979
Deficit at end of year	\$ 174,981	\$ 112,071

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF FUNDS FROM CONTINUING OPERATIONS

Years ended December 31

(in thousands of Canadian dollars)

	2001	2000
Income from continuing operations	\$ 42,532	\$ 15,004
Add (deduct) non-cash items:		
Depreciation and amortization	6,301	6,555
Future income taxes	1,900	344
Diminution in value of real estate assets	9,530	—
Penalty on early debt repayment	3,139	—
Gain on sale of shares of PNP	(33,863)	—
Reduction of foreign currency translation account	(18,487)	—
Other	1,064	186
Undistributed profit of equity accounted PNP	(2,083)	(6,232)
Gain resulting on issuance of capital stock by subsidiary	—	(5,638)
Adjustment as a result of consolidation of PNP	—	15,153
FUNDS FROM CONTINUING OPERATIONS	\$ 10,033	\$ 25,372

The accompanying notes form an integral part of these financial statements.

[CONSOLIDATED STATEMENTS OF CASH FLOW]

Years ended December 31

(in thousands of Canadian dollars)

	2001	2000
OPERATING ACTIVITIES		
Funds from continuing operations	\$ 10,033	\$ 25,372
Adjustment as a result of consolidation of PNP	—	(15,153)
Re-leasing costs	(1,733)	(1,559)
Amortization of discount of convertible debentures	1,596	1,565
Net change in other assets and liabilities	(7,543)	13,173
	2,353	23,398
Net decrease from PNP's other assets and liabilities	—	6,891
Cash flow from discontinued operations	2,043	704
	4,396	30,993
INVESTING ACTIVITIES		
Acquisition and development of real estate	(17,153)	(9,727)
Net proceeds from property sales	355	1,049
Change in restricted cash	5,750	(1,552)
Decrease in cash due to reduction of interest in PNP	—	(7,351)
Net proceeds from sale of PNP shares	381,858	—
	370,810	(17,581)
Net decrease from PNP's investing activities	—	(68,328)
Investment in discontinued operations	(1,478)	(4,164)
	369,332	(90,073)
FINANCING ACTIVITIES		
Issue of capital stock	3,019	181
Net change in long-term debt and bank indebtedness	(124,530)	10,521
Repurchase of capital stock	(6,405)	(9,045)
Dividends paid	(103,333)	(7,783)
Repurchase of convertible debentures	(602)	—
Settlement of convertible debentures	(3,253)	(2,978)
	(235,104)	(9,104)
Net increase in PNP's financing activities	—	65,052
Increase in discontinued operations	(15,566)	1,789
	(250,670)	57,737
TOTAL CASH PROVIDED (USED)	123,058	(1,343)
Effect of foreign currency translation on cash balances	(419)	1,803
Cash and cash equivalents at beginning of year	3,805	3,345
Cash and cash equivalents at end of year	\$ 126,444	\$ 3,805

Supplemental cash flow information:

The Company purchased 50% of Prairie Mall not already owned for \$21,820, assuming a mortgage in the amount of \$12,214 and paying cash for the remaining balance.

Proceeds on property sales satisfied by mortgages receivable during the year were \$1,585 (2000: \$5,350).

Cash interest paid in the year was \$23,463 (2000: \$68,969).

Cash income taxes paid in the year was \$9,794 (2000: \$385).

The accompanying notes form an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (*Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts*)

Revenue Properties Company Limited (the "Company") is engaged primarily in the ownership and operation of rental properties and real estate development in Canada.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA") and the Canadian Institute of Public and Private Real Estate Companies.

(b) Subsidiaries, joint ventures, equity and cost investments

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the assets, liabilities, revenues, expenses, and cash flows of incorporated and unincorporated joint ventures. The Company has decided to discontinue its investment in gaming as more fully described in Note 6.

All material intercompany accounts and transactions have been eliminated.

The Company accounted for its investment in Pan Pacific Retail Properties, Inc. ("PNP") when it was able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the investment is adjusted for the Company's share of post-acquisition earnings, losses and capital transactions. When the Company was no longer able to exercise significant influence, the cost method of accounting was used whereby dividends received are included in the determination of income.

(c) Asset valuation

- (i) *Rental properties* – Rental properties are carried at the lower of depreciated cost and net recoverable amount. Cost includes interest, realty taxes, and other carrying charges, applicable general and administrative expenses incurred in the pre-development and construction periods and initial leasing costs. Properties held for sale are recorded at the lower of cost and net realizable value.
- (ii) *Land* – Land is carried at the lower of cost and net realizable value. The cost of land includes pre-development expenses, interest, realty taxes and other directly related expenses. General and administrative expenses, including salaries, which can be clearly identified with the development of a property, are allocated to the cost of that property. Allocated costs are charged to saleable acreage on the basis of anticipated revenues.
- (iii) *Valuation principles* – The use of net recoverable amount to assess the amount at which a property is carried in the accounts assumes that the property will be held for the long term. Otherwise, the use of net realizable value method may be more appropriate. Net recoverable amount represents the estimated future cash flow expected to be received from the use and residual value of the property on an undiscounted basis. Estimated net realizable value represents the estimated selling price reduced by any costs expected until final disposition, assuming a reasonable development and sales period and market conditions.

In determining estimates of net recoverable amounts and net realizable values for its rental properties, properties held for sale or development, amounts receivable and investments, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Should the underlying assumptions change materially, the estimated net recoverable amounts and net realizable values could change by a material amount. By nature, asset valuations are subjective and do not necessarily result in precise determinations.

(d) Income recognition

- (i) *Rental properties* – Revenues and earnings from rental properties under development are recorded in income when a rental occupancy of 70% has been achieved or when a predetermined time limit expires, whichever comes sooner. Prior to this time, the properties are categorized as rental properties under development and net rental income is recorded as a reduction of development costs.

- (ii) *Real estate sales* – Income from the sale of land and rental properties is recognized when all material conditions have been fulfilled, at least 15% of the purchase price has been received and the ultimate collection of the proceeds is reasonably assured.

(e) Depreciation and amortization

Depreciation on buildings is provided under the sinking fund method. Under this method, depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the buildings over their estimated useful lives of 40 years.

Depreciation on furniture and equipment is provided at 20% on a declining balance basis.

Re-leasing costs for commercial properties are amortized on a straight-line basis over the term of the leases.

(f) Stock-based compensation plans

The Company has a stock option plan which is described in Note 12(d). No compensation expense is recognized for the plan when stock or stock options are issued to employees and directors. Any consideration paid by employees or directors on exercise of stock options or purchase of stock is credited to capital stock.

(g) Foreign exchange

Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. The Company's investments in the United States ("foreign operations") are considered to be self-sustaining. As such, related foreign currency translation adjustments are recorded as a separate component of shareholders' equity until there is a disposition of the Company's investment in the foreign operations.

During the year, there was a reduction in the Company's net investment in the foreign operations. As a result, \$18,487,000 of the foreign currency translation account was included in income. Subsequent to December 31, 2001, the Company reduced its net investment in the foreign operations and reduced the foreign currency translation into income (see Note 18).

	2001	2000
Canadian dollar to United States dollar exchange rates:		
– December 31	\$ 0.6278	\$ 0.6656
– Average during year	\$ 0.6457	\$ 0.6735
United States dollar to Canadian dollar exchange rates:		
– December 31	\$ 1.5928	\$ 1.5023
– Average during year	\$ 1.5486	\$ 1.4848

(h) Earnings per share

Effective January 1, 2001, the CICA changed the accounting standards relating to the accounting for earnings per share. The new standard requires the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. The Company has adopted the new earnings per share standard and has applied the provisions of the standard retroactively with prior periods being restated.

Earnings per share has been calculated using the weighted average number of common shares outstanding during the year, divided into net income adjusted for the provision for settlement of convertible debentures.

(i) Cash and cash equivalents

For the purposes of the consolidated financial statements, the Company considers all short-term investments with maturity dates of three months or less to be cash equivalents.

(j) Income taxes

Future income taxes are determined based on the difference between the accounting basis and tax basis

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts)

of assets and liabilities, and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse.

(k) Financial instruments

The Company entered into forward contracts to manage its exposure to changes in exchange rates. At December 31, 2001 the Company had contracts outstanding to sell US\$30,000,000 for Canadian dollars at varying rates expiring in January 2002. The Company does not acquire, hold, or issue derivative financial instruments for trading purposes.

2. RENTAL PROPERTIES

	2001	2000
Land	\$ 14,516	\$ 11,900
Buildings and improvements	165,277	155,619
	179,793	167,519
Accumulated depreciation	(35,437)	(34,848)
	\$ 144,356	\$ 132,671

3. PROPERTIES HELD FOR DEVELOPMENT AND FOR SALE

	2001	2000
Under development	\$ 10,602	\$ 10,100
Held for development	1,062	3,700
Held for sale, net of accumulated depreciation	3,466	—
	\$ 15,130	\$ 13,800

4. MORTGAGES AND ADVANCES RECEIVABLE

	2001	2000
Mortgages and notes receivable	\$ 4,597	\$ 7,571
Advances receivable, non interest bearing	4,131	4,185
	\$ 8,728	\$ 11,756

Mortgages and notes receivable bear interest at rates which vary from 0% to 8% (weighted average rate 2.66%) and are to be repaid at various dates as follows:

2002	\$ 3,011
2003 and subsequent	1,586
	\$ 4,597

5. OTHER ASSETS

	2001	2000
Short-term investments	\$ —	\$ 5,037
Restricted cash	67	780
Accounts receivable	1,004	1,839
Prepaid expenses and sundry assets	1,840	3,973
	\$ 2,911	\$ 11,629

Restricted cash and short-term investments are restricted by debt or joint venture agreements and are not available to be used for the general purposes of the Company.

6. DISCONTINUED OPERATIONS

In 2000, the Company decided to sell its investment in gaming. Accordingly, the results of operations have been reclassified.

The summarized statement of operations for gaming follows:

	2001	2000
Revenue	\$ 27,813	\$ 21,720
Operating expenses	(24,709)	(19,923)
Interest expense	(234)	(1,504)
Depreciation and amortization	(1,332)	(2,392)
Provision for loss on disposal of discontinued gaming operations	(394)	(5,394)
Income (loss) from discontinued gaming operations	\$ 1,144	\$ (7,493)

The summarized balance sheet for gaming follows:

Assets	2001	2000
Property and equipment, net of accumulated depreciation	\$ 10,101	\$ 9,241
Other assets	9,244	9,244
Total	\$ 19,345	\$ 18,485
Liabilities	2001	2000
Long-term debt	\$ 2,009	\$ 16,996
Accounts payable and deposits	881	1,251
Total	\$ 2,890	\$ 18,247

The Company's gaming operations are subject to the licencing and regulatory requirements of the Nevada State Gaming Control Board and the Nevada Gaming Commission. The Company's gaming licences are subject to certain conditions and periodic renewal.

The Company recorded a pre-tax impairment provision of \$394,000 at December 31, 2001 (2000: \$5,394,000) which reduced the carrying value of the assets to their estimated net realizable value.

7. INVESTMENT IN SHARES OF PNP

On November 12, 2000, PNP completed the acquisition of Western Properties Trust ("Western"). The acquisition was effected by PNP issuing shares to Western's existing unitholders. The issuance of these shares reduced the Company's percentage ownership in PNP. As a result, the Company ceased consolidating the assets, liabilities and results of operations of PNP and adopted the equity method of accounting for its investment in PNP as of November 13, 2000.

During 2001, the Company sold PNP shares and as a result adopted the cost method of accounting for its investment in PNP as of June 1, 2001. The Company sold its remaining shares of PNP in October 2001.

The comparative statements of income have been reclassified in a manner that separates PNP's financial results to allow for a more meaningful comparison and to assist readers of these financial statements in assessing the impact of this change on the results of the Company.

The components of "Operating and other expenses" follow:

	2000
Property operating expenses	\$ 33,255
Interest	38,030
General and administrative	5,547
Depreciation	13,013
Income taxes	34
	\$ 89,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts)

8. LONG-TERM DEBT

	2001	2000
Mortgages on rental properties	\$ 46,255	\$ 101,442
Loan payable on land under development	893	3,314
Loan payable on investment in PNP	—	94,042
Loans payable on discontinued operations	2,009	16,996
	<u>\$ 49,157</u>	<u>\$ 215,794</u>
Fixed interest rate debt	\$ 48,264	\$ 101,442
Range of interest rates at December 31	6.7–10.75%	6.7–10.75%
Weighted average interest rate at December 31	7.31%	8.83%
Variable interest rate debt	\$ 893	\$ 114,352
Range of interest rates at December 31	5.00%	8.27–9.03%
Weighted average interest rate at December 31	5.00%	8.38%

Principal payments are due as follows:

2002	\$ 8,597
2003	1,891
2004	1,448
2005	1,553
2006	2,816
2007 and subsequent	32,852
	<u>\$ 49,157</u>

Debt on rental properties and land under development is secured by mortgages and assignments of various assets of the Company.

Certain of the Company's debt agreements require the Company to maintain minimum financial covenants.

9. CONVERTIBLE DEBENTURES

The Company has three different convertible debentures summarized below. The conversion prices were adjusted effective October 19, 2001 as a result of the payment by the Company of a special dividend of \$1.50 per common share.

(a) Issue amount – \$45,002,000 (\$44,961,000 and \$45,002,000 outstanding at December 31, 2001 and 2000 respectively) bearing interest at 7.5% per annum, payable semi-annually and maturing October 1, 2003. All amounts due are payable in cash.

The debentures are unsecured and are convertible into common shares at a price of \$1.95 per common share at any time prior to the earlier of September 30, 2003 and the last business day immediately preceding the date specified for redemption. The debentures are redeemable by the Company at any time at par plus accrued and unpaid interest.

On January 10, 2002, the Company redeemed all of this series of debentures for cash, as more fully described in Note 18.

(b) Issue amount – US\$35,000,000 (US\$34,599,000 and US\$35,000,000 outstanding at December 31, 2001 and 2000 respectively) issued in US funds, bearing interest at 6% per annum, payable semi-annually and maturing March 1, 2004. All amounts due are payable in cash.

The debentures are unsecured and are convertible into common shares at a price of US\$1.82 per common share at any time prior to the earlier of February 27, 2004 and the last business day immediately preceding the date specified for redemption. The debentures are redeemable by the Company at any time at par plus accrued and unpaid interest.

(c) **Issue amount – \$85,000,000 (\$79,715,000 and \$83,500,000 outstanding at December 31, 2001 and 2000 respectively) bearing interest at 7% per annum, payable semi-annually and maturing December 31, 2006. Interest payments are payable in cash. Principal due on maturity or redemption is payable, at the Company's option, in either cash or common shares.**

The debentures are unsecured and are convertible into common shares at a price of \$1.74 per common share at any time prior to the earlier of December 31, 2006 and the last business day immediately preceding the date specified for redemption.

The debentures will be redeemable at par plus accrued interest but only if the weighted average daily closing price at which the common shares of the Company have traded on the Toronto Stock Exchange during the 20 consecutive trading days ending not more than five days prior to the date on which notice of redemption is given exceeds: 125% of the conversion price if given on or after January 1, 2001 and on or prior to December 31, 2001; 120% if given on or after January 1, 2002 and on or prior to December 31, 2002; 115% if given on or after January 1, 2003 and on or prior to December 31, 2003; 110% if given on or after January 1, 2004 and on or prior to December 31, 2004; 105% if given on or after January 1, 2005 and on or prior to December 31, 2005; and 100% if given on or after January 1, 2006.

The issue amount for each convertible debenture has been allocated between a liability component and an equity component (paid-in capital). The liability component has been calculated, effective the date of issue, by discounting the mandatory cash payments of principal and interest under the terms of the debenture. The discount rates used reflect the interest rate that would have been exigible had the Company issued a pure debt instrument of a similar term. Recorded interest expense related to the convertible debentures is determined by applying the discount rate to the outstanding liability component, while the differential between the recorded interest expense and the interest payment is recorded as settlement of convertible debentures in the consolidated statement of deficit. The principal due on maturity of the issue referred to in (c) above has not been included in the calculation of the respective liability since the Company has the option to settle the principal amount in common shares.

The equity component is the arithmetic difference between the amount issued and the calculated liability component referred to above, adjusted for issue costs.

The components of the convertible debentures are classified as follows:

2001		2001		2000	
Principal	Maturity date	Liability	Paid-in capital	Liability	Paid-in capital
\$ 44,961	October 1, 2003	\$ 44,036	\$ 5,128	\$ 43,546	\$ 5,133
55,109	March 1, 2004	52,761	9,271	49,302	9,378
79,715	December 31, 2006	21,413	56,745	25,721	56,148
\$ 179,785		\$ 118,210	\$ 71,144	\$ 118,569	\$ 70,659

10. BANK AND OTHER INDEBTEDNESS

	2001	2000
Bank indebtedness	\$ 5,843	\$ 9,862
Short-term loan	44,990	—
	\$ 50,833	\$ 9,862
Average debt outstanding	\$ 15,677	\$ 10,207
Weighted average interest rate at December 31	4.93%	7.80%
Weighted average interest rate during the year	3.84%	7.69%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (*Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts*)

The interest rate on bank indebtedness is 0.35% (2000: 0.30%) above the prime interest rate charged by a Canadian chartered bank. The bank indebtedness is secured by a demand debenture and a first mortgage on one of the Company's properties.

The Company entered into a short-term bank loan to bridge the payment of the special dividend, in October 2001, and the repatriation of funds in January 2002. The loan bears interest at 1.0% above the prime interest rate charged by a Canadian chartered bank and was repaid in January 2002. The loan was secured by a second mortgage on one of the Company's properties and was guaranteed by a wholly owned subsidiary of the Company.

At December 31, 2001, the Company's unused line of credit for general corporate purposes was \$2,100,000 (2000: \$7,900,000).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, bank and other indebtedness and accounts payable and deposits approximates fair value due to the short-term maturity of these instruments. Financial instruments with a carrying value different from their fair value include the following:

	2001		2000	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages and advances receivable	\$ 8,728	\$ 8,689	\$ 11,756	\$ 11,264
Long-term debt	49,157	48,886	215,794	216,331
Convertible debentures	179,785	168,277	181,083	145,067

The fair values of mortgages and advances receivable and long-term debt are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair value of convertible debentures is estimated based on published bid prices.

12. SHAREHOLDERS' EQUITY

Shareholders' equity consists of the following:

	2001	2000
Capital stock – common shares	\$ 140,510	\$ 139,403
Paid-in capital – convertible debentures (see Note 9)	71,144	70,659
Contributed surplus	35,282	36,093
Foreign currency translation adjustment	12,124	24,622
Deficit	(174,981)	(112,071)
	\$ 84,079	\$ 158,706

(a) Capital stock – authorized

First preference shares – unlimited number of shares

Second preference shares – unlimited number of shares

Third preference shares – unlimited number of shares

Common shares – unlimited number of shares

(b) Capital stock – issued and outstanding

Changes in the Company's issued capital stock during the two-year period ended December 31, 2001 were as follows:

	Common shares	
	Shares	Amount
January 1, 2000	68,223,062	\$ 148,232
Issued on exercise of stock options	86,666	181
Purchased and cancelled	(4,357,900)	(9,010)
December 31, 2000	63,951,828	139,403
Issued on conversion of debentures	1,146,966	3,682
Issued on exercise of stock options	1,335,936	3,019
Purchased and cancelled	(2,566,182)	(5,594)
December 31, 2001	63,868,548	\$ 140,510

(c) Warrants

On September 1, 2000, the 10 million warrants issued in March 1998 expired. The \$2,841,000 allocated to the value of these warrants was transferred to Contributed Surplus.

(d) Stock-based compensation plan

The Company has a stock option plan pursuant to which no more than 6.5 million common shares may be issued at any time. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. Options vest over a three-year period commencing with the date of grant. The exercise prices range from \$0.45 to \$2.35 after adjustment for the special dividend paid in October 2001. The options have a weighted average remaining life of 2.4 years while the exercisable options have a weighted average remaining life of 1.3 years. A summary of the status of the Company's stock option plan as of December 31, 2001 and 2000 and the changes during the years ended on those dates is presented below:

	2001		2000	
	Shares (000s)	Weighted average exercise price	Shares (000s)	Weighted average exercise price
Outstanding at beginning of year	2,675	\$ 2.73	3,457	\$ 2.88
Granted	730	\$ 2.03	575	\$ 1.95
Exercised	(1,336)	\$ 2.26	(86)	\$ 2.08
Forfeited	(828)	\$ 2.90	(1,271)	\$ 2.85
Outstanding at end of year	1,241	\$ 1.18	2,675	\$ 2.73
Exercisable at end of year	688	\$ 1.71	2,178	\$ 2.87

(e) Contributed surplus

	2001	2000
At January 1	\$ 36,093	\$ 32,071
Expiry of warrants, September 1, 2000	—	2,841
Premium paid on common shares purchased for cancellation	(811)	(35)
Other	—	1,216
At December 31	\$ 35,282	\$ 36,093

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts)

13. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Company is a lessee under a number of operating leases that expire at various dates ending in 2067. Rental expenses from continuing operations are as follows:

	2001	2000
Gross rental expenses	\$ 6,517	\$ 6,612
Approximate annual rental expenses for each of the next 5 years	6,514	6,612
Aggregate rental expense over remaining term of lease	205,524	201,838

(b) Rent controls

The Company has residential rental operations located in Ontario, Canada which are subject to rent controls.

14. INCOME TAXES

Income tax expense attributable to income from continuing operations consists of:

	2001	2000
Current	\$ 3,728	\$ 312
Future	1,900	344
Total	\$ 5,628	\$ 656

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the Canadian statutory rate to pre-tax income from continuing operations as a result of the following:

	2001	2000
Income from continuing operations before income taxes	\$ 48,160	\$ 15,660
Combined Canadian federal and provincial statutory rate of tax	42%	44%
Computed tax based on statutory rate	20,227	6,890
Impact of lower effective tax rate on operations in the U.S.	(3,165)	(932)
Large corporation tax	339	273
Change in the valuation allowance for future income tax assets	(7,138)	(3,424)
Non taxable portion of capital gains	(3,890)	—
Impact of changes in substantively enacted tax rates	(1,039)	(1,853)
Other	294	(298)
	\$ 5,628	\$ 656

After applying the expected tax rates to the temporary differences, the future income tax assets and liabilities at December 31, 2001 and 2000 are presented below:

	2001	2000
Future income tax assets:		
Non capital loss carryforwards	\$ 19,014	\$ 35,776
Interest deferred for U.S. tax purposes	2,561	9,491
Other	1,479	1,885
Total gross future income tax assets	23,054	47,152
Less valuation allowances	(12,719)	(19,857)
Net future income tax assets	\$ 10,335	\$ 27,295
Future income tax liabilities:		
Rental properties	\$ 9,151	\$ 14,322
Investment in shares of PNP	—	15,947
Total gross future income tax liabilities	\$ 9,151	\$ 30,269
Net future income tax asset (liability)	\$ 1,184	\$ (2,974)

RPC has income tax losses available for carryforward in Canada and the United States. These losses expire as follows:

Year of expiry	Canada	U.S.
2002	\$ 7,468	US\$ —
2003	15,864	—
2004	8,357	—
2005	522	—
2006	1,166	—
2007 and subsequent	—	14,000
	<u>\$ 33,377</u>	<u>US\$ 14,000</u>

Due to the change in control of a subsidiary in 1992, approximately US\$14,000,000 (Cdn. \$22,299,000) of tax losses carried forward available to reduce future United States taxable income will be subject to an annual deduction restriction of approximately US\$2,000,000 (Cdn. \$3,186,000).

15. JOINT VENTURE OPERATIONS

The following amounts included in the consolidated financial statements are the Company's proportionate interest in joint ventures excluding gaming operations.

	2001	2000
Assets	\$ 22,276	\$ 54,200
Liabilities	3,999	19,830
Equity and advances	18,277	34,370
	<u>\$ 22,276</u>	<u>\$ 54,200</u>
Revenues	\$ 5,938	\$ 11,605
Expenses	4,963	9,980
Income before income taxes	<u>\$ 975</u>	<u>\$ 1,625</u>
Cash provided (used):		
Operating activities	\$ 4,434	\$ 3,913
Investing activities	(3,343)	(5,814)
Financing activities	(2,740)	2,365
	<u>\$ (1,649)</u>	<u>\$ 464</u>

The Company includes in its balance sheet the proportionate share of the assets and liabilities of joint ventures and partnerships. The Company is contingently liable for the other participants' portion of the liabilities of these joint ventures and partnerships. This contingent liability is approximately \$5,927,000 at December 31, 2001. Against this contingent liability, the Company has recourse to all of the assets of the joint ventures or partnerships to the extent they are required to pay liabilities in excess of their proportionate share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts)

16. RELATED PARTY TRANSACTIONS

	2001	2000
Consulting services: Paid to AMCAN Financial Consultants	\$ 713	\$ 984

In 1998, the Company entered into a three year agreement with Mark M. Tanz, a shareholder and director, carrying on business as AMCAN Financial Consultants ("Amcan"), whereby the Company retained Amcan to provide advice and assistance in connection with mergers, acquisitions, gaming investment and development opportunities, financings and refinancings ("Transactions").

The agreement provided for payment of such reasonable fees determined on an arm's length basis for similar services. Total fees payable were limited in any year to an aggregate of Cdn. \$300,000 and US\$420,000 and over life of the contract to the aggregate of Cdn. \$900,000 and US\$1,260,000. If the installments paid throughout the term of the agreement exceeded the amount of fees charged for services during the period, the excess was to be repaid. At the conclusion of the agreement, the fees charged for services rendered exceeded the installments paid to Amcan. This agreement was extended through 2001 on the same terms and conditions, except that payments were limited to Cdn. \$250,000 and US\$300,000. In 2001, the fees earned by Amcan for services were \$nil (2000: \$826,000) and were allocated to the Transactions.

Tenancy agreement:

A company controlled by a director paid, under the terms of its tenancy agreement, \$104,000 (2000: \$94,000) to lease a residential suite owned by the Company.

17. SEGMENTED INFORMATION

The Company's principal operations are in the development, ownership and management of retail and residential properties. Substantially all of RPC's operations are in Canada. Discontinued operations are in the United States.

BALANCE SHEET	2001	2000
ASSETS		
Rental properties		
– retail	\$ 94,498	\$ 85,219
– residential	49,858	47,452
Properties held for development and sale	15,130	13,800
Discontinued operations	19,345	18,485
Investment in shares of PNP	—	334,636
Cash and other assets	139,267	27,190
	\$ 318,098	\$ 526,782

LIABILITIES AND SHAREHOLDERS' EQUITY

Long-term debt		
– retail properties	\$ 27,388	\$ 82,663
– residential properties	18,299	18,779
– properties held for development and sale	1,461	3,314
– discontinued operations	2,009	16,996
– investment in shares of PNP	—	94,042
Other liabilities and equity	268,941	310,988
	\$ 318,098	\$ 526,782

STATEMENT OF INCOME	2001	2000
Retail		
– Revenue	\$ 36,691	\$ 34,792
– Operating expenses	19,263	17,651
Rental income	17,428	17,141
Residential		
– Revenue	23,828	22,246
– Operating expenses	18,330	18,324
Rental income	5,498	3,922
TOTAL RENTAL INCOME	\$ 22,926	\$ 21,063

Prior year's segmented information has been reclassified to conform to current reportable segments.

18. SUBSEQUENT EVENTS

In January 2002, the Company repatriated cash of \$123,400,000, thereby reducing the net investment in its foreign operations. The funds were used for repayment of the short-term loan (see Note 10), redemption of the 7.5% convertible debentures, and for general corporate purposes. The reduction in the Company's net investment in its foreign operations resulted in a reduction in the foreign currency translation account of \$10,500,000.

In January 2002, the Company redeemed and cancelled all of its outstanding 7.5% convertible debentures, which were to mature October 1, 2003. The redemption resulted in a loss of \$1,100,000 and a net reduction to shareholders' equity of \$900,000.

In February 2002, the Company received proceeds of \$20,000,000 from a mortgage. The mortgage bears interest at 6.55%, is secured by a first charge on one of the Company's properties, and is due in 2007. The funds will be used for general corporate purposes.

P.T.'s Gaming LLC, in which the Company has a 50% ownership interest, has entered into an agreement to sell its gaming assets, excluding the small casino, which offer is subject to the purchaser obtaining all third party approvals including those of the gaming authorities. The Company expects the sale to close during the second quarter of 2002 and estimates its share of the net proceeds will be approximately Cdn. \$13,500,000 (US\$8,500,000). The sale will result in no significant gain or loss to the Company's recorded carrying value at December 31, 2001.

On March 8, 2002, the Company announced a substantial issuer bid (the "Issuer Bid") for its 6.0% US denominated convertible debentures, due March 1, 2004 at the price of US\$950 cash for each US\$1,000 principal amount outstanding plus any accrued and unpaid interest. The Issuer Bid will be made by the Company pursuant to an Offering Circular.

19. INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS

For the diluted calculations, the effect of converting debentures adds 87,880,000 shares and exercising stock options adds 569,000 shares, compared to 25,303,000 and 30,000, respectively, in 2000.

20. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform to the current year's presentation.

2001 SUMMARY OF OPERATIONS BY QUARTER

(unaudited, in thousands of Canadian dollars, except per share amounts)

	Year 2001	4 th Qr	3 rd Qr	2 nd Qr	1 st Qr
Net rental operations	\$ 22,926	\$ 6,092	\$ 5,891	\$ 5,518	\$ 5,425
Net real estate sales	176	176	—	—	—
GROSS PROFIT	23,102	6,268	5,891	5,518	5,425
Other operating expenses					
Interest	19,744	4,200	4,205	5,472	5,867
General and administrative	5,044	1,597	1,046	1,179	1,222
Interest and other income	(1,879)	279	(1,880)	(158)	(120)
Depreciation and amortization	5,667	1,680	1,321	1,254	1,412
	28,576	7,756	4,692	7,747	8,381
OPERATING LOSS	(5,474)	(1,488)	1,199	(2,229)	(2,956)
Earnings of PNP					
Equity in earnings	12,018	—	—	5,074	6,944
Dividend income	1,935	—	1,071	864	—
	13,953	—	1,071	5,938	6,944
Gain on sale of shares of PNP	33,863	10,289	—	24,905	(1,331)
Reduction of foreign currency translation account	18,487	—	—	18,487	—
Diminution in value of real estate assets	(9,530)	—	—	(9,530)	—
Penalty on early debt repayment	(3,139)	—	—	(3,139)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	48,160	8,801	2,270	34,432	2,657
Income taxes					
Current	3,728	860	127	2,680	61
Future	1,900	(341)	1,310	35	896
	5,628	519	1,437	2,715	957
INCOME FROM CONTINUING OPERATIONS	42,532	8,282	833	31,717	1,700
Income from discontinued operations	1,144	33	129	664	318
NET INCOME	\$ 43,676	\$ 8,315	\$ 962	\$ 32,381	\$ 2,018
Per common share:					
From continuing operations	\$ 0.62	\$ 0.12	\$ 0.00	\$ 0.49	\$ 0.01
Net income	\$ 0.64	\$ 0.12	\$ 0.00	\$ 0.50	\$ 0.02
Funds from continuing operations	\$ 0.16	\$ 0.00	\$ 0.06	\$ 0.03	\$ 0.07
Weighted average number of shares (in thousands)	63,382	63,653	62,523	63,404	63,962

SHAREHOLDERS' INFORMATION

The following is a summary of prices per common share by quarter on the Toronto Stock Exchange, the principal market for these shares.

	2002				2001	
	Jan. 1 to Feb. 28	4 th Qr	3 rd Qr	2 nd Qr	1 st Qr	
High	\$ 1.75	\$ 3.45	\$ 3.50	\$ 2.50	\$ 2.45	
Low	1.48	1.40	2.33	2.01	1.90	

Approximate number of record holders of the Company's common shares as of January 31, 2002 are as follows:

Country	Number of record holders	Number of shares
Canada	1,917	35,531,025
U.S.	929	673,249
Other countries	55	27,669,402
	2,901	63,873,676

[PROPERTY SUMMARY]

RETAIL

Property & location	% Ownership	Company owned (sq. ft.)	Tenant owned (sq. ft.)
Centerpoint <i>Toronto, Ontario</i>	100%	479,778	122,251 <i>The Bay</i>
East York Town Centre <i>Toronto, Ontario</i>	100%	378,720	
The Colonnade – retail ⁽¹⁾ <i>Toronto, Ontario</i>	100%	94,635	
Guildwood Village <i>Toronto, Ontario</i>	100%	53,256	
Prairie Mall <i>Grande Prairie, Alberta</i>	100%	304,715	
Saint John City Hall <i>Saint John, New Brunswick</i>	50%	99,733	
Other properties	100%	23,382	
Totals & weighted averages		1,434,219	122,251

RESIDENTIAL

Property & location	% Ownership	No. of units	Company owned (sq. ft.)	Tenant owned (sq. ft.)
The Colonnade – residential ⁽¹⁾ <i>Toronto, Ontario</i>	100%	158	156,765	
The Oaks ⁽¹⁾ <i>Toronto, Ontario</i>	100%	1,215	888,767	
Kipling Avenue ⁽¹⁾ <i>Toronto, Ontario</i>	100%	728	690,585	
Totals & weighted averages		2,101	1,736,117	
Grand totals & weighted averages			3,170,336	122,251

⁽¹⁾ Leasehold.

Total (sq. ft.)	% Leased	Normalized N.O.I.	Major tenants
602,029	98.2%	\$ 7,584,000	The Bay, Zellers, Loblaws, Canadian Tire
378,720	97.3%	\$ 4,301,000	Zellers, Dominion
94,635	97.5%	\$ 2,668,000	
53,256	92.8%	\$ 475,000	Valu-Mart
304,715	92.6%	\$ 4,758,000	Zellers
99,733	98.9%	\$ 271,000	City of Saint John
23,382	81.5%	\$ 272,000	
1,556,470	96.6%	\$ 20,329,000	

Total (sq. ft.)	% Leased	Normalized N.O.I.	Average monthly rent
156,765	93.7%	\$ 1,235,000	\$ 1,823
888,767	97.8%	\$ 4,205,000	\$ 839
690,585	96.7%	\$ 503,000	\$ 951
1,736,117	97.1%	\$ 5,943,000	\$ 957
3,292,587	96.8%	\$ 26,272,000	

FIVE-YEAR SUMMARY OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts)

Years ended December 31	2001	2000	1999	1998	1997
Net rental operations	\$ 22,926	\$ 21,063	\$ 20,673	\$ 21,615	\$ 41,380
Net real estate sales	176	315	(4,348)	(462)	29
GROSS PROFIT	23,102	21,378	16,325	21,153	41,409
Other operating expenses:					
Interest	19,744	29,274	28,153	27,882	34,975
General and administrative	5,044	6,429	5,394	5,299	6,997
Interest and other income	(1,879)	(251)	262	(675)	(580)
Depreciation	5,667	4,963	5,257	5,772	7,527
	28,576	40,415	39,066	38,278	48,919
OPERATING PROFIT (LOSS)	(5,474)	(19,037)	(22,741)	(17,125)	(7,510)
Earnings of PNP					
Revenue	—	147,926	170,687	120,989	38,086
Operating and other expenses	—	(89,879)	(112,319)	(70,965)	(24,064)
Minority interest	—	(30,219)	(30,127)	(24,845)	(5,638)
Equity in earnings	12,018	3,118	—	—	—
Dividend income	1,935	—	—	—	—
	13,953	30,946	28,241	25,179	8,384
Gain on sale of shares of PNP	33,863	—	—	—	—
Reduction of foreign currency translation account	18,487	—	—	—	—
Diminution in value of real estate assets	(9,530)	—	—	(5,073)	—
Penalty on early debt repayment	(3,139)	—	—	—	—
Gain (loss) resulting on issuance of capital stock by subsidiary	—	5,638	—	—	(21,085)
Cost of responding to takeover bid	—	(1,887)	—	—	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	48,160	15,660	5,500	2,981	(20,211)
Income taxes	(5,628)	(656)	(2,106)	(778)	(222)
INCOME (LOSS) FROM CONTINUING OPERATIONS	42,532	15,004	3,394	2,203	(20,433)
Income (loss) from discontinued operations	1,144	(7,493)	(1,196)	(131)	—
NET INCOME (LOSS)	\$ 43,676	\$ 7,511	\$ 2,198	\$ 2,072	\$ (20,433)
Per common share:					
Income (loss) from continuing operations	\$ 0.62	\$ 0.18	\$ 0.01	\$ 0.00	\$ (0.35)
Net income (loss)	\$ 0.64	\$ 0.07	\$ 0.00	\$ 0.00	\$ (0.35)
Funds from continuing operations, as reported	\$ 0.16	\$ 0.39	\$ 0.35	\$ 0.27	\$ 0.19
Funds from continuing operations, pro forma	n/a	\$ 0.16	\$ 0.19	\$ 0.16	\$ 0.13
Weighted average number of shares (in thousands)	63,382	65,235	69,755	72,652	65,603

CORPORATE DIRECTORY

DIRECTORS

- ** James R. Bullock (57)**
***** President**
Glengate Investments Inc.
 Toronto, Ontario
- * William I. Kennedy (46)**
****** President**
Revenue Properties Company Limited
 Toronto, Ontario
- ** David A. King (64)**
President
David King Corporation
 Toronto, Ontario
- *** Abbey A. Lipson (71)**
****** Chairman**
McGregor Industries Inc.
 Toronto, Ontario
- * K. Rai Sahi (55)**
Chairman
Revenue Properties Company Limited
Chairman and C.E.O.
Aktion Corporation and Goldlist Properties, Inc.
 Toronto, Ontario
- * Mark M. Tanz (70)**
Amcan Financial Consultants
 Bahamas
- ** Jack D. Winberg (50)**
***** President and C.E.O.**
The Rockport Group
 Toronto, Ontario
- * Member of Executive Committee**
- ** Member of Audit Committee**
- *** Member of Corporate Governance Committee**
- **** Member of Gaming Compliance Committee**

OFFICERS

- William I. Kennedy
President
- Richard E. Fletcher
Vice-President, Finance and
Chief Financial Officer
- Judie Hart
Vice-President, Leasing
- Mark A. Robinson
Vice-President, Operations
- Paul Miatello
Secretary

REVENUE PROPERTIES COMPANY LIMITED

CORPORATE HEAD OFFICE

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Toronto, Ontario M5S 1R1

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Web site: www.revprop.com

Revenue Properties (U.S.) Inc.
325 South Third St., #1-382
Las Vegas, Nevada 89101

Share Registrar and Transfer Agent

Computershare Investor Services Inc.
Toronto, Ontario

Debenture Registrar and Transfer Agent

CIBC Mellon Trust
Toronto, Ontario

Share Listing

The Toronto Stock Exchange
Common Shares (RPC)

Debentures

The Toronto Stock Exchange
6% U.S. Convertible Debentures (RPC.DB.U)
7% Convertible Debentures (RPC.DB.A)

Credit Ratings

	DBRS
RPC.DB.U	BB (high)
RPC.DB.A	BB (high)

Form 20-F

The Company files its Annual Report with the Securities and Exchange Commission. The report may be obtained by written request to the Company at its head office.

ANNUAL MEETING

Thursday, May 16, 2002, 3:30 p.m.
Japan Foundation Auditorium,
131 Bloor Street West, 2nd floor
Toronto, Ontario

Auditors

KPMG LLP

SHAREHOLDER ENQUIRIES

By telephone at (416) 963-8100,
in writing to the Company at its head office
or by e-mail at: info@revprop.com



